**DRAFT**
**Non-Construction Alternatives Round Table Meeting**
**January 22, 2003**
**Minutes**

**Members present:**
Ken Canon, Industrial Customers of Northwest Utilities
Ralph Cavanagh, Natural Resources Defense Council
Art Compton, Montana Department of Environmental Quality
Tom Foley, Non-Wires Study consultant
Nancy Hirsh, Northwest Energy Coalition
Hardev Juj, Seattle City Light
Robert Kahn, Northwest Independent Power Producers Coalition
Tom Karier, Northwest Power Planning Council, Washington state
Paul Kjellander, Idaho Public Utilities Commission
Steve LaFond, The Boeing Company
Sue McLain, Puget Sound Energy
Kris Mikkelsen, Inland Power & Light Company
Heather Rhoads-Weaver, Northwest Sustainable Energy for Economic Development
John Savage, Oregon Public Utility Commission
Margie Schaff, Affiliated Tribes of Northwest Indians, Economic Development Corporation
Brian Silverstein, Bonneville Power Administration
Dick Wanderscheid, City of Ashland

**Members absent:**
Bill Pascoe, Northwestern Energy
Vickie VanZandt, Bonneville Power Administration

**Observers and members of the public:**
Sonya Baskerville, Bonneville Power Administration
Mary Jensen, Bonneville Power Administration
Mark Jackson, Bonneville Power Administration
Dick Watson, Northwest Power Planning Council
Ken Corum, Northwest Power Planning Council
Peter Blood
Jim Luce, EFSEC

**Project staff present:**
Steve Wright, chief executive officer of Bonneville Power Administration
Mark Maher, senior vice president of Transmission Business Line
Brian Silverstein, manager of Network Planning
Carolyn Whitney, vice president of Business Line Management and Political Strategy
Mike Weedall, vice president of Energy Efficiency
Darby Collins, public affairs specialist
Sally Grabowski, communication assistant
Marion Cox, facilitator

**Opening remarks**
BPA Vice President of Political Strategy and Public Affairs Carolyn Whitney called the first meeting of the Non-Construction Alternatives Round Table (NCA) to order at 8:30 a.m. PST. Carolyn opened the meeting by thanking all members for agreeing to participate in the newly organized BPA Non-Construction Alternatives Round Table. She and Brian Silverstein, TBL manager of Network Planning, will serve as co-chairs of the round table. TBL Vice President of Operations and Planning Vickie VanZandt will serve as the BPA executive sponsor for this project.

Following a review of the agenda, BPA will post all round table meeting summaries on the BPA website for access by any interested party.

**Presentation by Transmission Business Line Senior Vice President Mark Maher**
Mark Maher provided an overview of how this NCA project fits into BPA's overall transmission planning and infrastructure program. In addition, he outlined the key "BPA targets for 2003" that will serve as drivers for BPA staff responsible for implementing this project.

Highlights:
In 2001, TBL initiated an aggressive transmission infrastructure program focusing on three key objectives:

- Reinforce the existing transmission grid and support loads, especially to the Seattle and Spokane areas.
- Address the cut planes on the system that were limiting schedules.
- Provide for load growth that was currently exceeding system capacity. Initially planned to integrate approximately 30,000 megawatts of new generation. Today, that amount has diminished due to the downturn in the economy and lower prices. But we're still looking at substantial amount that will need to be hooked up to the system.

TBL has challenged itself to integrate non-construction alternatives into its transmission planning process with the following goals in fiscal year 2003:

- Establishing a round table.
- Identifying and developing how to best address institutional barriers to implementing non-transmission alternatives.
- Reviewing three projects for non-construction alternatives, using the analysis that was prepared on our Kangley-Echo Lake project in the Puget Sound area as a starting point.
- Developing screening criteria, based on three project reviews, and have those criteria critiqued by the round table by September 2003.
- Transmission Business Line provides BPA's Energy Efficiency group with the criteria and information for use in testing Distributed Energy Resources.
- Implement a demand exchange program on the Olympic Peninsula.

**Round table member introductions**
Each round table member introduced themselves to the group. Carolyn requested that each make a brief statement or comment about why they felt their participation in this project was important to them and their organizations.

The following comments were received from round table members:

- I am personally interested in non-construction alternatives and least-cost investments. I want to see if we can actually make this work.

- I believe BPA is charting new territory with this initiative. I am very excited to be involved and to evaluate non-build options and see if it works.

- As a transmission customer of BPA, I want to understand how this will work and how it will impact customers, and from a rates standpoint, how can we get a least-cost solution?

- I am interested in finding the least-cost solution. However, I'm concerned about long-term least-cost options and short-term rate impact. I'm also concerned about reliability and if we use a non-build solution, we need to make sure that it's as reliable as a wires solution.

- As a customer who gets 100 percent of its load from BPA, I want to help find ways to reduce the cost of electricity.

- I am very interested in distributed generation and renewables. I want to help with creative thinking outside normal operating procedures.

- I am very interested in least cost planning. This initiative fits very nicely with that.

- I understand how difficult it is to build transmission today. I see value in moving beyond just planning something on paper to look for other options.

- This is a good exercise. We have been missing something in the planning process. We need to better explore other options, such as distributed generation. We may disagree on the value of some options but we need to explore them.

- BPA has had the best transmission engineers in the world. This is a leap forward into finding new initiatives for transmission building and will help us discover an interesting portfolio of options for dealing with transmission. When we're done, we'll have more robust options.

- I think it will be exciting to look at fundamental assumptions of transmission and how the system is operated.

- This is a timely effort and will help energy planning at the state level. We always need to find new ways of doing things.

- I am interested in finding ways to keep rates low. I am hopeful that the economy will come roaring back. When that happens, we'll need transmission. We need to find ways to increase capacity so we're ready and able to meet changing economic times.

- My state also struggles with energy planning and siting of facilities. I'm hoping this effort will help us better manage that.

- I've been involved with least-cost planning and I'm grateful to BPA for putting this initiative together.

- I am interested in a reliable and cost effective system that is environmentally sound. Today we have resources that are hundreds of miles from each other with sensitive areas in between. This non-construction alternatives initiative is very timely since loads will continue to grow and we need to find ways to meet that load in a reliable manner and at the least cost possible.

**Other comments from members of the public in attendance:**

- BPA has a statutory obligation to provide power at a reasonable cost. Today generation projects are not being developed. It is a challenge to find ways to obtain adequate transmission. If non-construction alternatives offer a better solution, I want to learn more about it.

- We need to achieve a balance between reliability and availability and keeping costs down.

**Presentation by BPA Administrator Steve Wright**

Following is a summary of the key points of Steve Wright's remarks:

- I think this initiative is important and I think it will make a difference. I am personally committed to making it work.

- I believe this round table has an opportunity to create real institutional change. You have the chance to look at how we assess alternatives to meeting electric requirements and the chance to help BPA create a structure that assesses demand-side and non-construction alternatives and incorporates them into transmission planning.

- In the past, this region led the country in innovative energy and environmental efforts. I believe this initiative affords us the opportunity to create something that will affect not only BPA and the region, but will become a national model.

- I also think this is in keeping with FERC's vision – that value comes from demand-side alternatives incorporated with construction and operation of least-cost alternatives.

- This isn't just a transmission initiative. It will have impacts and benefits to the power side of BPA. We want to create efficiencies that assure we can get the best social outcome possible.

- You have an incredible opportunity to make a difference and create a legacy. Don't think of this as just something for the next year or two. Think about what you can set up for the long term – 10 years down the road. When you look back 10 years from now on this project, what will you be proud of?

**Discussion following Steve Wright presentation**
Following the conclusion of Steve's remarks, members posed questions to Steve for several minutes prior to his departure:

Member comment: The challenge will be building capacity to deliver alternatives. The transmission business is dominated by engineers who are trained to build lines. We must develop the capacity to deliver non-construction alternatives not just analyze them.

Steve Wright: It's important to assess and implement. Twenty years ago we had a similar issue with addressing conservation. It required a cultural shift. This is the opportune moment to do that. Though, there may be questions as to who is responsible. If an RTO is created for planning, who will implement. This may make some significant institutional changes in the industry.

Member comment: We may see constraints in the future, either from FERC or with the separation of transmission and generation or with BPA's borrowing authority.

Steve Wright: This group will have struggle with how you move beyond planning and into implementation as well as who is responsible. You can't count on the power side addressing all of these questions. We can't answer those questions right now. I'm hoping this group can help us address these issues. If you want the current transmission access to take on demand-side, you will need to address access to capital and capital constraints. This group will need to think about who will be responsible for making investment and how to access adequate capital to accomplish potential goals.

Member comment: Price incentives could help us make demand-side stuff more attractive and help utilities. This is different than the current postage stamp rates.

Steve Wright: FERC proposed some of that as part of RTO/Standard Market Design congestion pricing. Some of this is discussed in Allen Burn's vision paper on RTO. Customers should have the right to get what they've got today and expect a certain level of service when it comes to existing load. How do you serve marginal load? For new load, people need to see what it will cost to serve new load.

Member question: Is BPA as committed to implementation as it is to changing its transmission planning process?

Steve Wright: We are committed to both.

**Presentation and discussion on round table roles and guidelines**
Carolyn Whitney presented a brief overview of the mission or "role" of the round table in BPA's overall non-construction alternatives initiative. The round table's role is to:

- Provide BPA with individual insights and perspectives on key questions raised by the non-construction initiative and any potential pilot projects.
- Provide a forum for identifying and responding to key issues associated with non-construction alternatives to current transmission planning including institutional issues that go beyond BPA.
- Provide insights from a broad stakeholder base to ensure that BPA's transmission planning process is balanced.
- Provide BPA with input on expanding consideration of non-construction alternatives into BPA's regional transmission planning process.
- Build a broad base of region wide understanding for the overall goals and results of this initiative including defining effective methods of disseminating the results of this initiative to regional utilities and other key parties.
- Help build regional confidence and acceptance for new approaches to transmission planning.
- Use any clear outcomes from this effort to update other regional planning processes.

There was no comment on the round table roles.

Next, Carolyn turned the meeting over to the facilitator, Marion Cox, to review the remaining roles for round table participants, and to review meeting guidelines and procedures.

Marion reviewed several highlights regarding the roles and responsibilities of other participating parties in the round table:

- TBL Vice President of Operations and Planning Vickie VanZandt is the BPA executive sponsor for this project. She is the direct link between the round table and BPA for decision-making.
- Brian Silverstein, TBL manager of Network Planning, will co-chair the round table with Carolyn Whitney.
- BPA staff and technical resource people will be identified as needed for round table deliberations.

Marion reviewed the key meeting procedures and meeting guidelines (please refer to procedures documents for the full text of the round table guidelines and procedures).

Highlights of round table guidelines and meeting procedures:

- Each member has been asked to make a two to three year commitment to the project.
- Each member may identify one permanent substitute who will attend only when permanent members have a conflict and cannot attend.
- Agenda development: At the end of each meeting, BPA will identify the primary focus for the upcoming meeting. Members will be asked for potential agenda items for the next meeting. Additional agenda suggestions from members should be sent to Carolyn Whitney or Marion Cox at least one week prior to the upcoming meeting.
- Development of meeting summaries: meeting summaries will be jointly developed by BPA staff and the facilitator and circulated in draft form to all members for review and comment following each meeting.
- Meeting summaries will be prepared and posted on the TBL web site.
- Decision-making – The facilitator reminded members that the round table is part of an on-going BPA initiative. Round table deliberations will be used to help inform BPA decision makers. She also noted that the round table itself is not a decision-making body. All decisions related to BPA's internal transmission planning process will be made by BPA managers.
- Attendance by and comments from the public at round table meetings: The ground rules note that all meetings are open to the public and there will be designated time allocated at each meeting to hear comments and questions from the public related to the round table deliberations.

**Discussion following roles and guidelines presentation**
Following a review of the highlights of the round table procedures and the meeting guidelines, the facilitator asked for any questions or comments from members.

- One round table member stated that he preferred that comments made during round table meetings not be attributed to individuals in any written meeting record. Other members agreed asking that comments in the minutes not be attributed to individual members.

- One member asked if the round table had a ground rule or procedure for dealing with the "press" (i.e., news outlets or media). Members discussed this issue for several minutes and the facilitator suggested that she draft some language regarding contact with the press.

- The facilitator noted that she will develop language for both of these proposed ground rules and will circulate them to all members and BPA co-chairs for review and comment prior to adopting such rules at the next meeting.

- BPA has a single point of contact for the press or media on this project: Darby Collins 360.418.8465 or dacollins@bpa.gov.

**Presentation on TBL infrastructure program by TBL Manager of Network Planning Brian Silverstein**

In this presentation, Brian provided members with an overview of the recent history of BPA transmission planning and a view of the current BPA network planning process. This information was presented to provide members with a context for this project and how the round table deliberations affect BPA's internal review of its current planning process as well as how this project fits into identified BPA "targets" for 2003. Below is an overview of his presentation:

During the 1990's loads grew steadily at 1.8 percent a year. There has been little new transmission built since 1987.

The use of the transmission system has grown faster than load. Transactions increased by 5 percent as wholesale power was moved across the grid to get to somebody else's system.

Over the last couple of years, load has been depressed and growth has been flat, though there is some recent movement as some smelters such as Intalco start to come back

BPA initiated its infrastructure plan in 2001 with three major objectives:

- Keep the lights on – reinforce the system to comply with national reliability standards.
- Interconnect needed new generation.
- Remove constraints that limit economic trade and BPA's ability to maintain the system.

West of Hatwai lost smelter load that exacerbated the constraint along with more stringent application of reliability standards after the Aug. 10, 1996 disturbance. The Puget Sound area is especially constrained and has a load curtailment plan in place.

We are trying to keep up with generators. We are working to interconnect new generation coming on line. It took us two years to complete the environmental and initial design work on John Day-McNary. It will take another two years to build transmission to move the power when the generators come on line. That's about the same amount of time that it will take to construct the generation.

Some new generator is completed or partially constructed in the I-5 corridor. Others haven't started. However, it would take BPA five to six years to build lines to deliver that generation. Transmission is expensive and difficult to do.

With generation-driven projects, we are trying to do the prep work now so we're ready to go when they are.

Constraints limit us. Path 15 in California, and West of Hatwai were limited due to constraints and contributed to higher prices in 2001. Price spikes occurred because resources get bottlenecked.

To maintain reliability we must do maintenance work. It's hard to find a window to shut down for a week or more to complete routine maintenance. Long outages for construction are even harder to come by. This just indicates that we've pushed the system about as far as it can go.

*Describing graph showing history of construction on the grid* – We built a fair amount of transmission in the 80's. That construction program gave us a margin in the 90's. We pushed that even further by finding ways to work smarter. We increased our ability to manage the grid with fiber optics. We use remedial action schemes to drop generation from the grid when there is a problem, to squeeze the most we could out of the system. In fact, we've applied it more than anywhere in the country. We drop nearly 3,000 megawatts for some contingencies. That's like losing three nuclear plants.

*Describing graph showing constrained paths on grid* – The cut planes are choke points where the freeway narrows down. There used to be just a couple. Now there are more and more on the grid. This limits economic trade and system flexibility. We are addressing that today with our infrastructure program.

**Discussion following Brian Silverstein's presentation**
Following Brian's remarks, members were offered an opportunity to ask questions and make comments. Member comments and questions include:

Member question: What was driving us to expand the capability of the system?

Response: To find the system constraints, we ran simulations. Constraints tend to be seasonal. Cut planes may appear constrained at different times of the year.

Member question: Were these requirements driven by BPA or imposed on BPA from external resources?

Response: When the third AC Intertie was built there was legislation that authorized BPA and WAPA to increase the capability. That's not the case now. The infrastructure program is driven by load growth, integrating new generation and the need to put some margin back into the system.

Round table members requested information to help them understand when the system is constrained, under what circumstances and what hours. BPA will send all members information on the "G-20" projects. These projects represent the 20 most critical infrastructure projects that BPA has identified to address existing and near-term constraints. This information will include the "purpose and needs" statement for each project.

Member questions: Is there typically an agreement on "constraints" identified by BPA? What are the assumptions behind analysis of constraints? Are there parties who would debate either the "constraint" – as identified by BPA – or the proposed solution to address this constraint?

Response: There were many debates about the solution but not the constraints. A technical committee of the Northwest Power Pool reviewed the process. Many solutions were suggested. But, they looked at one piece of the picture not the whole picture. The big picture is to understand the consequences of the grid and to a better use of non-construction alternatives.

Currently there is no regional transmission organization (RTO) managing constraints. Everyone submits a schedule that is totaled up and compared to system limits. BPA only accepts schedules for the power we can move. This is a regional picture of Northwest transmission needs but it may not describe all internal constraints on the investor-owned and consumer-owned utility systems. The North American Electric Reliability Council (NERC) establishes criteria for the U.S., Canada and some parts of Mexico. Then there are regional reliability groups such as the Western Electricity Coordinating Council. BPA looks at both requirements.

Member question: Is there a different way to look at reliability criteria? Is that on the table?

Response: BPA cannot unilaterally change those standards and must follow them.

Member question: Why is BPA proposing a contract lock? How will contract lock impact congestion and transmission capacity?

Response: The driver of this exercise is the movement to a RTO. BPA's transmission obligations currently go into one big pot. RTO will have a model and it's complicated. Customers must describe rights and rules. Contract lock is being proposed to help clarify existing rights. There are two current products and a few legacy products that BPA is attempting to quantify to help understand rights and obligations. Basically, this is a cataloging process.

*Review of the G-20 map and projects underway those driven by generation (John Day/McNary and Southwest Washington/Northwest Oregon) and projects further out on the horizon.*
The big picture is to understand the consequences of generation location on the grid and to better consider use of non-construction alternatives. The G-20 projects will cost $1.5 billion, construct 700 miles of line and three new substations along with work at 50 existing substations. It will allow us to hook up 10,000 to 15,000 megawatts of new generation and take us out to the end of the decade.

Member question: Did anyone disagree with the need for the G-20 projects?

Response: There were many debates about the right solution, but no debate about the constraints to the system. A technical committee of the Northwest Power Pool reviewed the process.

Member comment: BPA is to be complemented on 10 years of managing the system with what are basically "non-wire" solutions while maintaining system reliability.

Member question: How does security concerns factor into these deliberations?

Response: An issue was raised about factoring the increased cost of security measures in light of Sept. 11 (for example replacing a transformer that somebody takes out.) Discussion on standardization of components throughout the U.S. and the stockpile of system parts versus individual utilities having to stockpile their own. Utilities in the Northwest currently share equipment.

Member comment: Several members suggested that some parties might challenge BPA's determination of constraints in the system. One member raised the issue that the wind community may start challenging assumptions on congestion.

Member question: Does BPA quantify a lost opportunity, for example if a non-construction alternative is used and a construction option is avoided or delayed and then the non-construction option does not work?

Response: BPA planning is constantly faced with protect timing issues and that is factored into recommendations.

Member question: Should costs of new projects be born by new loads or socialized?

Response: BPA is seeking insights from the round table on overcoming institutional barriers and determining who should pay for non-construction solutions.

This discussion ended with a reminder from Brian that many of these issues will be discussed at greater length in future meetings as BPA looks at specific projects which will be used as either studies or pilots.

**Review of E3 report "Expansion of TBL Planning Capabilities" by Tom Foley**
Tom provided members with an overview of the study, which led to BPA's non-construction alternatives project, and the establishment of the round table. The following is a summary of the recommendations from that report:

Summary of Recommendations

- Engage regional stakeholders in TBL's planning process
  - Goal is to share information that would lead to a more efficient region-wide system.
- Biennial system-wide report
  - Describes the expected use of BPA's transmission facilities over the following 10 years.
- Refinement of existing planning process

- Screen transmission projects against the cost of various forms of suitably located and operated generation, load management and transmission pricing.

Existing TBL Planning Process
- Designed to meet anticipated customer needs
- Reactive –driven by events external to TBL

Problems with Traditional Planning
- Reactive – driven by events external to TBL
- Insufficient time to consider non-wires alternatives
- Insufficient time to engage other stakeholders

Extending the Existing Process
- A first screen to identify transmission problems that they may be solved by the market using non-wires alternatives.
- A second screen (for remaining transmission constraints) against the costs of strategically located and operated generation, demand management and transmission pricing programs.

Transmission Planning During Transition to Fully Functioning Markets
- Transparent planning in lieu of being able to set prices or to do least-cost planning
- Coordination with affected parties

Engage Regional Stakeholders
- Share information that will lead to more efficient region-wide system

Workshops for Stakeholders
- Conduct scoping workshop with interested and affected parties
- Discuss finding in biennial report and identify potential non-wire solutions to transmission needs
- In second workshop ask for specific actions that can be taken by regional parties and that would be as reliable and as cost-effective as wires upgrades.

**Discussion following Tom Foley's presentation**
Members asked a wide range of questions regarding the report and its recommendations. Many questions and comments focused on concepts associated with "market-based" solutions as described in the report, including:

- One member noted that "market-based" solutions could present reliability issues and potential problems.
- Several members expressed confusion or uncertainty about the definition of "market-based" solutions as used in this report and discussion.
- One member wanted to know "what are the measures of evaluation" in determining if a solution is effective as an alternative to transmission.

- One member stated that the report looks at a very different approach to "socializing" the costs of more transmission.

**Presentation on non-construction alternatives by BPA Vice President of Energy Efficiency Mike Weedall**

Mike Weedall provided members with an overview of the specific types of measures or "alternatives" to construction that are currently under consideration by BPA.

Brief highlights of some of the approaches that can serve as tools to delay or defer transmission construction

Three Major Categories of Options

- Demand Response or Load Management
- Strategic Energy Efficiency or Conservation
- Generation or Distributed Generation

Demand Response/Load Management

- Direct shifting of load from peak periods
- Can be voluntary or mandated program participation
- May also be effected through pricing signals
- End-use loads more likely to be large commercial and industrial loads, but may also be aggregation of residential loads
- BPA's Demand Exchange Program had less than 1,000 megawatts during height of the energy crunch two years ago.

Strategic Energy Efficiency

- Energy efficiency is the reduction in energy use across all periods of time, not just peak loads
- Less likely to provide significant peak reduction, but it can contribute to the solution
- Strategic targeting of locational energy efficiency is a way to enhance the potential impact
- Similarly, targeting high-use equipment such as heating/cooling technologies can also increase program impact.

Generation/Distributed Generation

- Generation sources sited strategically and sized appropriately can contribute to non-construction alternatives
- Challenge economically to justify resources running for limited periods
- Potential significant environmental benefits to this type of site of resources
- Economics and performance of distributed generation technologies moving to make this approach viable.

Summary

- Three strategies for non-construction alternatives likely to involve a combination of the three, not a single tool

- BPA working to network and benchmark with others working in this area to gain from their knowledge and experience
    - For example, Regulatory Assistance Project
- BPA's Energy Efficiency Department to work close with TBL on our work here in the Pacific Northwest

**Discussion following Mike Weedall's presentation**
Following Mike's presentation, members raised the following questions and comments:

Member question: What is BPA doing to tract what others are doing in this arena? And will the Chinese wall of standards of contact prohibit Energy Efficiency from playing a role in this project?

Response: BPA's Energy Efficiency group is actively benchmarking and interfacing with the New England Independent System Operator and others to determine the effectiveness of demand-side options. The Power Business Line is actively supporting TBL in the non-construction alternative initiative.

Member question: What are some of the environmental benefits of distributed generation?

Response: There are newer, cleaner distribution generation technologies available. The penetration curve will see some breakthroughs with this technology in the next few years. However, you cannot expect to achieve large loads, like 100 megawatts, from this technology. But, when you put some of these things together with the other legs of the stool, they can prove advantageous.

Member question: Are emergency diesel generators "off the table" as an alternative?

Response: Several members expressed some concern that distributed generation (diesel generators) might be used to play the spot market – rather than to serve a true emergency.

Member comment/question: What environmental criteria will BPA use to evaluate distributed generation?

Response: Currently there's about 100,000 megawatts of emergency diesel generation in the Northwest. There is disagreement in the Northeast on demand-side program criteria. Many consider distributed generation dirty. Some round table members express the hope that BPA will design a program to avoid that. If distributed generation is needed for an emergency, need to define that. Often used as a financial option to open up sales on the spot market. Need to look for cleaner options and not develop a system that leans on emergency generation.

Member comment: Creating interconnection standards would go a long way in improving things.

Member comment: Request for more information on the lifetime of some of the demand-side options. The round table needs information on what technologies offer advantages over a 20-year timeframe and what improvements may be coming in technology and how to manage risk.

Member comment: If the group could "value the solution" then one could use this value as a price signal or incentive level to get action.

Member question: Does BPA and the round table have the potential to influence DOE and technology for clean options (such as with fuel cells).

Response: Mike will research this issue.

Member question: Does transmission planning identify locations on the grid where there are opportunities for efficiencies?

Response: Yes, Kangley-Echo Lake is an example where we contracted for an in-depth study to examine whether or not non-wire solutions would substitute for new construction. The same contractor who did the E3 planning study did this study. An overview of this study will be presented at the March meeting.

Additional member comments:

- Member recommended Amory Lovins book "Small is Profitable" to round table.
- Concerning locational strategic efficiencies – is it clear where the location is?
- The benefits of some alternatives will impact generation, distribution, and potentially other components related to the delivery of power – how will these benefits be accounted for in evaluating alternatives?

A discussion was held concerning the benefits of measures being shared between transmission, generation and retail entities. This could open up competitive opportunities that might have cost-cutting benefits.

Member comment: Many opportunities exist at the retail level – yet in this project, we are looking at the wholesale level only. Member noted that the round table is not looking at BPA's wholesale activities. Distributed generation is at the retail end. There are often institutional prejudices and mixed opportunities.

Member question: Is transmission more congested than the Northwest in other regions? And what has BPA learned from other region's approaches to non-wires?

Response: A National Grid study was completed last summer and it found that inter-regional congestion was greater in the East than the West. Possible agenda item for next meeting – how congestion is handled in other regions and specifically what's going on in New England. Mark Jackson brought several utilities (all vertically integrated) with strong demand-side programs together for a recent presentation at BPA. None of their

programs resulted in deferring transmission. They were able to defer some distribution substations.

Member question: Would analysis of transmission peaks help reduce the need for transmission projects?

Response: Brian Silverstein agreed to address peak reduction studies such as Kangley-Echo Lake.

Member question: Should the round table consider fuel switching?

Response: This is not something that is normally done in the Northwest, but the round table needs to think outside the box and talk about whether or not to consider it. Or, consider aggressively switching electric water heaters to gas.

Member comment: As the round table identifies options, it should try and figure out incentives. For example, fuel switching could be funded as distributed generation.

At the conclusion of this discussion, Brian stated that many of the questions raised by members, regarding consideration and analysis of alternative measures will require careful consideration of current "institutional" arrangements and potential barriers to the use of specific alternatives. This topic will be fully explored in future meetings. BPA is looking for member insights into such institutional issues and how to address them.

**Discussion of BPA's non-construction alternatives targets and proposed round table timeline by Brian Silverstein**

In this session, Brian provided members with an overview of the entire non-construction alternatives project and how the work of the round table will be integrated into and coordinated with BPA's internal planning effort. The following is the timeline laid out for members:

- 2003 Sounding Board Meetings – March 6, June 19, September 18
- Detailed analysis of non-construction alternatives
  - Review Kangley-Echo Lake analysis – March 2003
  - Identify third study – March 2003
  - Conduct analysis – March through September 2003
- Develop screening criteria – August-September 2003
  - How should transmission projects be evaluated for non-construction alternatives? Refine our list of measures – what are good candidates and what do we want to exclude.
  - Determine the characteristics or parameters that determine if this in a candidate for non-construction or should it be wires. What will help BPA narrow its focus?
  - Identify issues (for example, is diesel on or off the table?)
- Identify measures – March through September 2003
- Pilot projects

    - Report on Olympic Peninsula – March 2003
    - Select measures – March-July 2003
    - Identify locations – March-July 2003
    - Seek participation – August-November 2003
    - Implement next pilot – November 2003
- Institutional barriers
    - Identify barriers – March-September 2003
    - Such things as standards of conduct, retail customers, state regulators, self-regulation for customers, who pays and how do you implement.
- Who pays – options for a motivated retail partner
    - Develop plan to address -- September 2003
- Enhance BPA planning process – August 2003
- Deploy non-construction alternatives – June 2004

Following Brian's presentation, members were offered a chance to ask questions and provide comments. Member comments include:

Member comment/question: This project looks ambitious, will BPA have the money to fully review transmission alternatives including funding the several pilot projects envisioned?

Response from Brian: On BPA financing – projects will be financed based on immediacy of the need. The Olympic Peninsula represents a very real problem and was financed. If we determine a real problem, we'll find a way and possibly be able to leverage with others. A critical issue for the round table is that not everything will be accomplished at round table meetings. I envision subgroups being formed that can focus on pilots in specific areas or with a particular technology. We will also tap other groups to share with the round table.

The Olympic pilot project was designed to test tools. Currently Mason County PUD, Puget Sound, DSIs and Port Angeles have expressed interest. Contracts should be finalized this week. BPA's has budgeted $150,000 for this pilot for FY03 ($75,000 of that goes for web development costs.)

Member question: How does NEPA fit with the round table?
There was some round table discussion about having the non-construction alternative process be handled with a programmatic environmental impact statement. BPA general counsel agreed to research this issue.

General questions/statements from round table members:
Member comment: From a state perspective, siting any project must represent minimum environmental impact. The round table and non-construction alternatives effort is very timely and will provide BPA with a tool for thorough project evaluation (that's cost effective) that could be incorporated in an EIS without reinventing the wheel. This should be done early enough to make it valuable.

Member comment: The California ISO reached out to stakeholders to make investments in non-wires in 60 days. There was no infrastructure in place to bring forward ideas. We are going to have to identify some fiscal resources to help develop non-construction options. Round table can help BPA get those resources so BPA can get to a point where it can do some implementation.

Member comment: Finding a market solution is the biggest puzzle. How are we going to encourage the market to solve the problem? How can a small retail utility respond to prices?

Member comment: This could be a transition to where the market starts to solve this problem. BPA has traditionally been reactive in transmission planning. Someone comes in to site a plant and BPA builds a line. What kinds of incentive would be needed to site the plant in an area better for the transmission system? For example, offer double conservation incentives in constrained areas.

Member comment: How can BPA best use market and price incentives? BPA can calculate the value of different locations on the transmission system and benefits of deferring or avoiding construction.

Member comment: There are questions concerning independent power producer siting. A number of projects sited are half built. In terms of transmission and interface, developers are hopeful that we'll get to an interim transmission product that addresses seasonal firm, time of use that is firm and not firm. We would like to see more product choices from BPA.

BPA response: BPA had requests for about 30,000 megawatts. That has dropped to 10,000-15,000 currently in the queue. No costs associated with waiting in the queue.

Member comment: There are questions about whether or not we can rely on demand-side measures. Can we trust that these measures will be there when needed and can we trust the metric used to evaluate measures for reliability? How can we make them a real alternative? It will be a challenge to get over that hump.

Member comment: The economy is depressed, but we need to be prepared when it comes back. We need to find ways to stimulate economic development. Farmers and irrigators are having a hard time paying for power. It would be nice if a byproduct of the infrastructure program were lower energy costs that will help promote economic development.

Response from Brian: We are seeking help from the round table in giving BPA insights as to which infrastructure projects are good candidates for non-construction alternatives. We will take your recommendations under advisement.

Response from Carolyn Whitney: We are seeking your help in developing a non-construction alternatives evaluation template and pilots. We look to you for feedback on the economic model developed by the consultants.

**Round table tasks**
At the conclusion of Brian's presentation, one member asked Brian to please identify the specific tasks that BPA wants the round table to undertake as part of this project.

Brian stated that the following are the specific tasks BPA envisions the round table undertaking as part of this project:

*Task #1 -- Assist BPA in developing screening criteria for BPA to use in determining which projects will be subjected to an in-depth analysis.*
This is one of the most significant "targets." Brian will be looking for the round table. Criteria must be identified by September 2003. BPA is seeking significant insight and ideas related to this task in the meetings leading up to September 2003

*Task #2 -- Refine list of alternative measures.*
BPA is seeking the input and advice of round table members in helping the agency define the full list of alternative measures to be considered as alternatives to building new construction. Mike's presentation at today's meeting was a laundry list of BPA's current ideas in this arena. However, the agency is looking to members to help adjust and refine this list to represent a full list of realistic alternatives BPA can consider in any project subject to the non-construction alternatives analysis.

*Task #3 -- Review BPA's analysis of the Kangley-Echo Lake project.*
Brian stated that BPA needs the round table to critique the study and make suggestions regarding BPA's methodology for improvements to BPA's analytical approach. He stated that this discussion will be a primary focus of the March 2003 meeting. BPA intends to use member input on this item to revise or modify its current approach to the in-depth analytical approach. BPA intends to use the round table comments and insights to help the agency develop an evaluation template to use in undertaking future studies.

*Task #4 -- Identify at least three projects for analysis.*
Brian stated that BPA envisions three studies to be undertaken as part of the non-construction alternative initiative. Two such studies have already been identified by BPA and Brian is looking to the round table to help in identifying a third project. The first two studies are Kangley-Echo Lake and Monroe-Echo Lake. This task will be taken up at the March round table meeting, as BPA needs to begin work on all three studies as soon as possible.

*Task #5 -- Non-construction alternatives pilots: Help select the measures, identify the locations and seek financial participation in these projects.*
Pilots will test the capability of what can be delivered. Brian stated that each pilot undertaken by BPA will be very expensive and that the agency is looking for members to help determine who benefits and who pays for implementation of measures.

*Task #6 -- Assist BPA in identifying institutional barriers that exist with implementation of some alternative measures, and assist in defining approaches to address these institutional barriers.*
Brian noted that, in the end, many of the alternatives under consideration will be defined in part by how realistic they are to implement. Many alternatives will have significant institutional issues and barriers associated with them. BPA is looking to the round table members to help identify institutional issues that will have a direct impact on their ability to be implemented and is looking to members to help identify specific ways to address these barriers so that the fullest range of alternatives can be considered and evaluated.

*Task #7 -- Assist BPA in informing the region on the results of the non-construction alternatives project.*
Brian and Carolyn emphasized that it is very important for the region as a whole to understand and be supportive of any changes BPA might make to its current transmission planning process. BPA is looking for all members, and their affiliate organizations, to assist BPA – through a variety of means – to help educate the region about this initiative and why it is important for all energy users throughout the Northwest.

**Open discussion**
Following the discussion of the project timeline, and the specific tasks BPA envisions for the round table, members were offered an opportunity to make any additional comments or raise any questions they had not had a chance to discuss thus far in the meeting.

Member comments and questions include:

- BPA will need to think seriously about the "resources" the agency needs to deploy to ensure the implementation of non-construction alternatives – please use the round table members to help apply pressure to really undertake a serious effort at implementation.
- Several members stated that they need more and better information on "market solutions" in order to contribute effectively to this discussion in future meetings.
- BPA needs to clearly identify the "incentives" for deferring transmission.
- Several members remain concerned about ensuring that all alternatives under consideration will be truly effective in ensuring "reliability" – members need to have confidence that any new measures under consideration will be truly reliable meeting current reliability standards.

**Action Items**

- Add new language to the draft round table guidelines and procedures on "press communications" and on "attribution of member comments" from round table meetings. *Responsibility: facilitator with review and comment by members.*
- Send the "Allen Burns" vision report as referenced by Steve Wright in his remarks to round table members. *Responsibility: BPA staff*
- Provide information on "contract lock." *Responsibility: BPA staff*

- Provide the BPA analysis of Kangley Echo Lake to all members prior to next meeting. *Responsibility: BPA staff*
- Provide Lauckhart study to all members. *Responsibility: BPA staff*
- Provide further information to members: *Responsibility: BPA staff*
    - What is happening in other regions?
    - Information on BPA's position on fuel switching
    - Historic experience with BPA demand-exchange (DSI vs. utility)
    - Concise description of the portfolio of transmission alternatives
- Provide an initial list of "institutional barriers." *Responsibility: Tom Foley*
- Provide names and contact information for member "substitutes" if members think they might use them. *Responsibility: member and Sally Grabowski*

The meeting adjourned at approximately 3:00 p.m.

**Next meeting**
The next round table meeting will be held from 9 a.m. to 3:30 p.m. on March 6 in Portland, Oregon. Meeting location to be determined.